1944

NINETY-FIRST

ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

OF THE

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

FOR THE YEAR ENDED DECEMBER 31, 1944

STRAWBOARDS

Burlington
Route

NINETY-FIRST

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FOR THE YEAR ENDED DECEMBER 31, 1944

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

DIRECTORS

Term expires 1945		*Term expires 1946*	
HERBERT M. BUSHNELL	Omaha	JAMES CHARLES JAMES	Chicago
EDWARD FLYNN	Chicago	CHARLES I. STURGIS	Chicago
R. DOUGLAS STUART	Chicago	WALLACE C. WINTER	Chicago

Term expires 1947	
RALPH BUDD	Chicago
CHARLES E. DENNEY	St. Paul
FRANK J. GAVIN	St. Paul

EXECUTIVE COMMITTEE

RALPH BUDD ....Chairman

CHARLES E. DENNEY
EDWARD FLYNN
FRANK J. GAVIN
JAMES CHARLES JAMES
R. DOUGLAS STUART
WALLACE C. WINTER

GENERAL OFFICERS

RALPH BUDD	*President, Chicago*
EDWARD FLYNN	*Executive Vice President, Chicago*
LAWRENCE R. CAPRON	*Vice President, Chicago*
JAMES CHARLES JAMES	*Vice President and General Counsel, Chicago*
HERBERT W. JOHNSON	*Vice President and Comptroller, Chicago*
KARL W. FISCHER	*Assistant to President, Chicago*
THOMAS J. THOMAS	*Assistant to President, Chicago*
HARRY C. MURPHY	*Assistant Vice President, Chicago*
BERT VICKERY	*Treasurer and Assistant Secretary, Chicago*
EDITH JARVIS ALDEN	*Secretary, Assistant Treasurer and Transfer Agent, Chicago*
ARTHUR D. McLANE	*Assistant Secretary, Chicago*
WALTER McFARLAND	*Assistant General Counsel, Chicago*
ELDON MARTIN	*General Solicitor, Chicago*
SHIRLEY L. PORTER	*General Auditor, Chicago*
HERBERT R. CLARKE	*Chief Engineer, Chicago*
WILLIAM W. HENDERSON	*Transfer Agent, Chicago*
NICHOLAS STOCKHAMMER HARRY F. SMITH	*Fiscal Agents, 2 Wall Street, New York*
GRACE W. WINTERS HELEN A. STORCH	*Transfer Agents, 2 Wall Street, New York*
STATE STREET TRUST COMPANY	*Fiscal Agent and Transfer Agent, State and Congress Streets, Boston*

The above were Directors and Officers as of December 31, 1944.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Highlights of Operations

	1944	1943	Increase
Operating Revenues	$240,637,400	$217,952,483	$22,684,917
Operating Expenses	$145,854,303	$123,559,336	$22,294,967
Operating Ratio	60.61%	56.69%	3.92%
Available for Fixed Charges	$33,387,498	$37,200,006	$3,812,508†
Fixed Charges	$8,740,376	$8,968,742	$228,366†
Times Fixed Charges Earned	3.82	4.15	.33†
Total Taxes	$57,190,637	$55,573,644	$1,616,993
Net Income	$24,647,122	$28,231,264	$3,584,142†
Dividend Paid	$5,125,161	$5,125,161	None
Taxes per Share of Stock	$33.48	$32.53	$0.95
Net Income per Share of Stock	$14.43	$16.53	$2.10†
Dividend Paid per Share of Stock	$3.00	$3.00	None
Average Number of Employes (Includes part-time employes)	33,618	31,286	2,332
Total Wages	$88,649,706	$77,339,431	$11,310,275
Revenue Ton Miles	19,751,865,060	18,960,387,490	791,477,570
Revenue Passenger Miles	2,220,707,327	1,822,197,189	398,510,138
Net Reduction in Funded Debt	$12,074,765*	$20,308,312	$32,383,077‡

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†Decrease.

*Includes $9,458,100 outstanding First and Refunding 5% bonds called for redemption February 1, 1945 for which cash has been deposited with Trustee of mortgage.

‡Two year reduction.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Report for the Year Ended December 31, 1944

A RECORD-BREAKING YEAR

The Burlington Railroad provided more transportation in 1944 than in any previous year.

It was our privilege and responsibility to devote our manpower, equipment and facilities primarily to the war effort. This service accounted for about 60% of the 1944 traffic.

Passenger Traffic

All previous Burlington records for passengers carried one mile were broken. Passenger miles in 1944 exceeded the previous high revenue year of 1920 by 69%, but because fares were so much lower in 1944 than in 1920, passenger revenue increased only 10%.

Freight Traffic

The Burlington broke another record by handling more freight than in any previous year. The freight revenue of $180,000,000 was $14,000,000 more than in 1943. This outstrips the pre-war high figure of 1920 by $50,000,000 or nearly 40%, although rates were lower in 1944 than they were in 1920.

Sources of Freight Traffic

The following table of freight revenue shows how much came from each major commodity:

	1944 Revenue †	Percent of Total	Change from 1943
Products of Agriculture	$ 31,296,091	16.13	$ 3,884,855 Decrease
Animals and Products	12,370,569	6.38	853,429 Increase
Products of Mines	30,956,078	15.95	759,074 Decrease
Products of Forests	6,910,818	3.56	285,575 Decrease
Manufactures and Miscellaneous	103,434,792	53.31	22,656,868 Increase
Less Carload Freight	9,069,854	4.67	942,384 Increase
Total	$194,038,202	100.00	$19,523,177 Increase

†Gross freight revenue, stated without adjustment for absorptions or corrections.

Manufactures and Miscellaneous accounted for the largest amount of revenue and reflected the heavy load placed on the Burlington by wartime demands.

Why Net Income Declined

It is noteworthy that freight rates remained at pre-war levels. Wages and taxes, however, reached new highs. As a result, Net

Income declined 13% from 1943. In fact, it was lower than in some past years when the railroad carried much less traffic.

MANPOWER

The record-breaking volume of freight and passenger traffic was handled in spite of a serious manpower shortage.

This performance was the result of a combination of several things. For the first time there was near capacity use of the plant that had been improved and enlarged over the last twenty years. Cars were more heavily loaded, they were moved longer distances, and were handled by more modern locomotives than previously existed. Exigencies of the war and the cooperation of shippers were important factors. The loyalty of employes, the older ones in teaching the newer ones, and the willingness of all to give their best effort, also contributed.

Relieving the Manpower Shortage

One of the inspiring achievements is the splendid contribution women are making toward operating the railroad. They have helped relieve the manpower shortage by working in stations, roundhouses, shops, storehouses and at other jobs which, in normal times, were considered man's work. A considerable number of employes from other departments, including traffic soliciting forces, have volunteered for various kinds of work in the operating department. What these men and women have done has been of substantial aid in handling the war traffic and is greatly appreciated.

The manpower shortage has also been relieved somewhat by bringing Mexican Nationals to this country for railroad work. This was made possible by an agreement between the State Departments of the United States and Mexico. These neighbors from south of the Border have proved themselves efficient workers.

Returning War Veterans

The Burlington's service flag carries 7,162 stars in honor of employes who have entered the Armed Forces.

We are interested in the future welfare of these men and women and have worked out a plan to facilitate their return to our service. Under this plan these employes continue to accumulate seniority rights while they are serving their country, just as if they were still working for the Company. It is the intention that when they come home, they will have back their jobs, or jobs of equal status and pay, within the limitations prescribed by law.

We look forward to the time when they can be welcomed home as members of the Burlington family.

Our Honored Dead

In our service flag are 96 gold stars in honor of former employes who have given their lives for their country. We pay tribute to their memory and express our sincere sympathy to their families.

Employe Benefits

The Group Hospital and Surgical Benefits Insurance Plan was broadened in October, 1944, to include dependents, as well as employes.

The Relief Department paid out $676,970 during the year for disability and death benefits. The annual report of the Department may be obtained on request.

To provide for retirement of employes, the Company paid a Federal tax of $2,760,571 in 1944.

The Company also paid a Federal tax of $2,546,994 for Railroad Unemployment Insurance.

HOW THE RAILROAD WAS IMPROVED IN 1944

Within the limitations of available manpower and materials, the Company made such improvements as were practicable to enlarge its facilities for handling wartime traffic.

New Hump Yard

An outstanding project of this character was a modern Hump Yard with car retarder system at Lincoln, Nebraska. The yard can handle as many as 6,000 cars in a single day—the equivalent of a freight train 55 miles long. This yard speeds the movement of cars and delivery of goods. It also makes the work easier and safer.

Track Work

During the year 2,229,085 new creosoted crossties were placed in track; over 1,000,000 cubic yards of ballast were applied; 53.61 miles of track were relaid with new 131-pound rail; and 160.22 miles were relaid with new 112-pound rail. This work was about the average of the past five years. It was consistent with the heavy duty placed upon the railroad and resulted in maintaining track in safe condition.

A new rail section has been designed by a Burlington engineer. Tests in 30 miles of main line tracks laid with this rail have indicated its superiority. Burlington plans to adopt this new and better rail section as standard when it is generally available.

New Equipment

The Company has improved its wartime service by purchasing and building new locomotives and cars.

During 1944, there were delivered 16 Diesel 5400 H.P. road freight locomotives and 27 Diesel 1000 H.P. switch engines. In addition, 10 Diesel 4000 H.P. passenger locomotives and 10 Diesel 1350 H.P. freight locomotives have been ordered for delivery in 1945.

There were built in Company shops 2023 new freight cars of various kinds and 100 steel sheathed mail, baggage and express cars. There are also under construction 1105 freight cars for delivery in 1945.

Centralized Traffic Control

Burlington was among the first to install Centralized Traffic Control. This modern system has proved successful in speeding traffic and avoiding accidents. Its use has been greatly extended as a means of facilitating war traffic. Burlington's 1944 improvement program included C.T.C. on 98.32 miles of busy main line between Lincoln and Hastings, Nebraska, bringing the total C.T.C. to 450 miles. Construction is in progress on 332.4 additional miles.

Two-Way Radio

Another development is the two-way radio communication between the head and rear ends of freight trains, as well as between trains and way-side stations. This is a product of wartime aviation, and Burlington's facilities served as one of the first field laboratories in which this technique was tested and proved on railroads.

As soon as the instruments and necessary band of wave frequency are made available by government authorities, the Company will make use of two-way radios on main line trains and in principal yards and terminals.

Maintenance and Improvements

During 1944 the Company expended $85,335,636 in maintenance and improvements. This represents 35.5 cents of every dollar received as operating revenue.

FLOODS

Excessive rainfall during the last week of April, 1944, caused floods along the Mississippi and Missouri Rivers and their tributaries. The crest of the Mississippi at St. Louis was 39.11 feet, the highest since 1844 when it was 41.32 feet.

The floods interrupted train service on the main lines along those rivers, as well as on branch lines in Iowa and Missouri.

FARMING IN BURLINGTON TERRITORY

The year 1944 was a favorable one for farming in Burlington states, in spite of a late and unusually wet spring.

The territory raised a bumper corn crop with production soaring to 63.5% over the ten-year average and 13.2% over 1943. Production of soy-beans increased 6.1%.

Winter wheat was also a good crop, being 11.7% greater than in 1943 and 22.9% greater than the ten-year average. Nebraska, however, produced only 35,009,000 bushels of wheat—a decline of 41.8% from 1943—but it had a record-breaking corn crop of 329,855,000 bushels.

The barley crop was 26.8% smaller and production of oats decreased 8.8% from 1943. This was largely the result of late seeding.

The manpower shortage on farms curtailed production of crops which require a large amount of handwork. This contributed to the decrease of 25.6% in potato production and 3.4% in sugar beet production. The latter figure is 31% below the ten-year average.

The floods of 1944 did extensive damage to farms along the Mississippi and Missouri Rivers and their tributaries.

Stocks of Grain Held in Territory

At the end of 1944, the stocks of wheat in mills and elevators throughout states served by Burlington were 2% smaller than the previous year. Wheat stocks on farms, however, were reported 15.6% smaller.

Corn on farms increased 17.8% while the stock of oats was unchanged.

Prospects for 1945

Plantings of winter wheat for harvest in 1945 increased 10%. The United States Department of Agriculture on April 1, 1945 stated "The reported condition of wheat is the highest since 1919 and the growth is two to three weeks ahead of normal."

There was a decline of 29.9% in hogs, .2% in cattle and 8.2% in sheep on farms during 1944. The prospects for 1945 indicate a further decline in sheep and in cattle other than milk cows. Hogs and milk cows probably will show little change.

TAXES

In 1944 taxes were at the highest level in the history of the Company amounting to $57,190,637 compared with $55,573,644 in 1943. Taxes took 23.77% of total operating revenue, equivalent to $33.48 for each share of capital stock.

DIVIDEND

Net income amounted to $14.43 a share of capital stock. A dividend of $3.00 a share was paid in 1944, the eighty-third consecutive year in which the Company has paid a dividend.

HOW FINANCIAL POSITION WAS STRENGTHENED

The Company anticipated the maturity of its 3½% and 4% Illinois Division bonds due in 1949 by paying some of the debt and refinancing the balance in part at 1½% and in part at 3½%.

The Company also refinanced its First and Refunding 5% bonds with new securities bearing interest at 3¾%.

The result of this program was to reduce the mortgage debt by $16,773,000 and interest charges by $1,400,000 a year.

For details see page 34.

The Colorado & Southern Railway Company

During the year, under authority of the Special Court and with consent of Reconstruction Finance Corporation, The Colorado and Southern Railway Company, pursuant to the Plan of Adjustment, purchased from Reconstruction Finance Corporation and retired $3,600,000 principal amount of its Refunding and Extension Bonds at par and accrued interest. Fort Worth and Denver City Railway Company also purchased from Reconstruction Finance Corporation, in 1944, $1,500,000 principal amount of Colorado and Southern Refunding and Extension Mortgage Bonds, which bonds were pledged by Fort Worth and Denver City under its note to Reconstruction Finance Corporation.

These bond purchases, totaling $5,100,000, reduced the amount of Colorado and Southern Refunding and Extension Bonds owned by Reconstruction Finance Corporation to $18,500,000, a reduction of $10,478,900 since May 1, 1935, maturity date of original issue. Colorado and Southern bonds owned by Fort Worth and Denver City are non-interest bearing in absence of default by Fort Worth and Denver City on its note to Reconstruction Finance Corporation.

Terminal Companies

Three terminal companies in which Burlington is a joint owner also improved their financial positions.

The Chicago Union Station Company refinanced its 3¾% bonds with new securities bearing interest rates ranging from 1.83% to 2⅞%.

The Kansas City Terminal Railway Company refinanced its 4% bonds with new securities bearing an interest rate of 2.75%. It also reduced its funded debt by $2,121,000.

The Denver Union Terminal Railway Company made arrangements to pay off its entire debt consisting of $4,000,000 First Mortgage 4½% bonds.

BRANCH LINE ABANDONMENTS

During the year the line between Tecumseh Junction and Rockford, Nebraska, 24 miles, was abandoned.

The Interstate Commerce Commission has authorized abandonment of branch lines between Humeston and Clearfield, Iowa, 58 miles; between Merle Junction and Clarinda, Iowa, 27 miles; and between Mt. Ayr, Iowa and Grant City, Missouri, 22 miles, total 107 miles.

Application was filed August 19, 1944, for authority to abandon the branch line between Burch and Osceola, Iowa, 53 miles, and to operate under trackage rights over the adjacent line of the Chicago Great Western Railway.

Application has also been filed for abandonment of branch line between Helvey and K.C.&O. Junction, Nebraska, 4 miles, and operation over the line of the Union Pacific Railroad Company between K.C.&O. Junction and Endicott, Nebraska, 12 miles, total 16 miles.

BURLINGTON TRANSPORTATION COMPANY

Although the Bus Division handled more passenger miles during 1944 than in any previous year, it suffered a decline in Net

Income. Its operating results, in this respect, were similar to those of the railroad.

The Truck Division handled about the same volume of business as in the year before, but operated at a net loss of $52,667. This compares with a profit of $16,664 in 1943.

The following figures highlight the year's operations:

	1944	1943
Bus Division		
Highway miles operated	8,242	8,250
Bus miles operated	20,891,589	20,059,995
Gross revenue	$7,858,161	$7,870,921
Operating expenses	$4,923,619	$4,375,331
Taxes	$2,198,963	$2,633,493
Net income	$ 693,819	$ 818,062
Truck Division		
Highway miles operated	4,952	4,962
Truck miles operated	7,336,325	7,472,936
Gross revenue	$1,731,968	$1,756,927
Operating expenses	$1,603,500	$1,474,903
Taxes	$ 168,624	$ 249,224
Net income	Def. $ 52,667	$ 16,664

The combined federal income and excess profits taxes for 1944 were $1,796,863, and for 1943 were $2,475,510, subject to a post-war refund in 1944 of $136,924, and in 1943 of $240,399.

Application has been made to the Civil Aeronautics Board to operate helicopters in territory served by Burlington Transportation Company and the Burlington railroad. The purpose would be when helicopters are practicable, to operate them generally between points off the main line and points where through trains and planes make regular stops.

Commitment has been made to sell 51 per cent of the Bus Division to All American Bus Lines, Inc., and the proposed purchaser has stated its intention to carry out the helicopter operation if application is approved.

A DECADE OF ZEPHYR SERVICE

April 18, 1944 was the Tenth Anniversary of the Pioneer Zephyr, America's first Diesel streamline train, which on November 11, 1934 inaugurated the first streamline train service in America. Perhaps the most important pre-service demonstration made with the train was the Dawn-to-Dusk nonstop run from Denver to Chicago on May 26, 1934. The distance of 1015.4 miles was covered in 13 hours 5 minutes, an average of 77.6 miles an hour. This demonstration of sustained running at high speed was the precursor of over-night service every night between Chicago and Denver, and reduced the shortest schedule from 25 hours 15 minutes to 15 hours 38 minutes. Many similar schedule reductions have followed all over the country. Burlington Zephyr trains have now accumulated 25 million miles of service. The success of the Pioneer Zephyr ushered in the so-called Diesel era on American railroads.

OUTLOOK

During its history of nearly a hundred years, the Company has met its financial obligations and has provided dependable service, in spite of wars, panics and depressions.

Burlington will endeavor to maintain its position as an essential carrier in the years that lie ahead.

It will continue its policy of keeping abreast of new developments in the science and art of transportation. There are great possibilities for improving plant, equipment and methods when men and materials are again available for such work.

Unless Burlington, in common with other railroads, suffers severe loss of traffic through the subsidizing of competitors, it should be able to progress and to offer better and still better service.

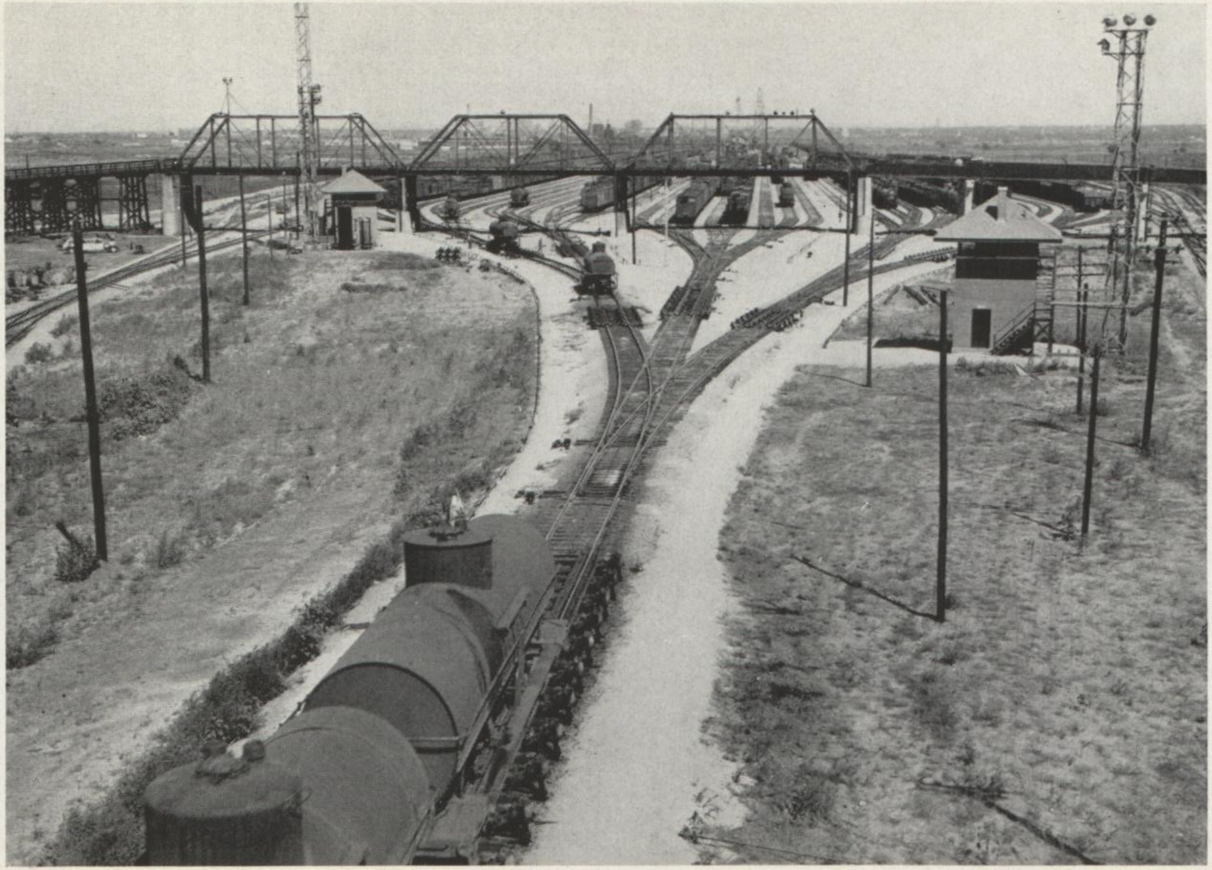
By order of the Board of Directors.

RALPH BUDD, *President.*

COMPARATIVE STATEMENT OF INCOME, YEARS ENDED DECEMBER 31

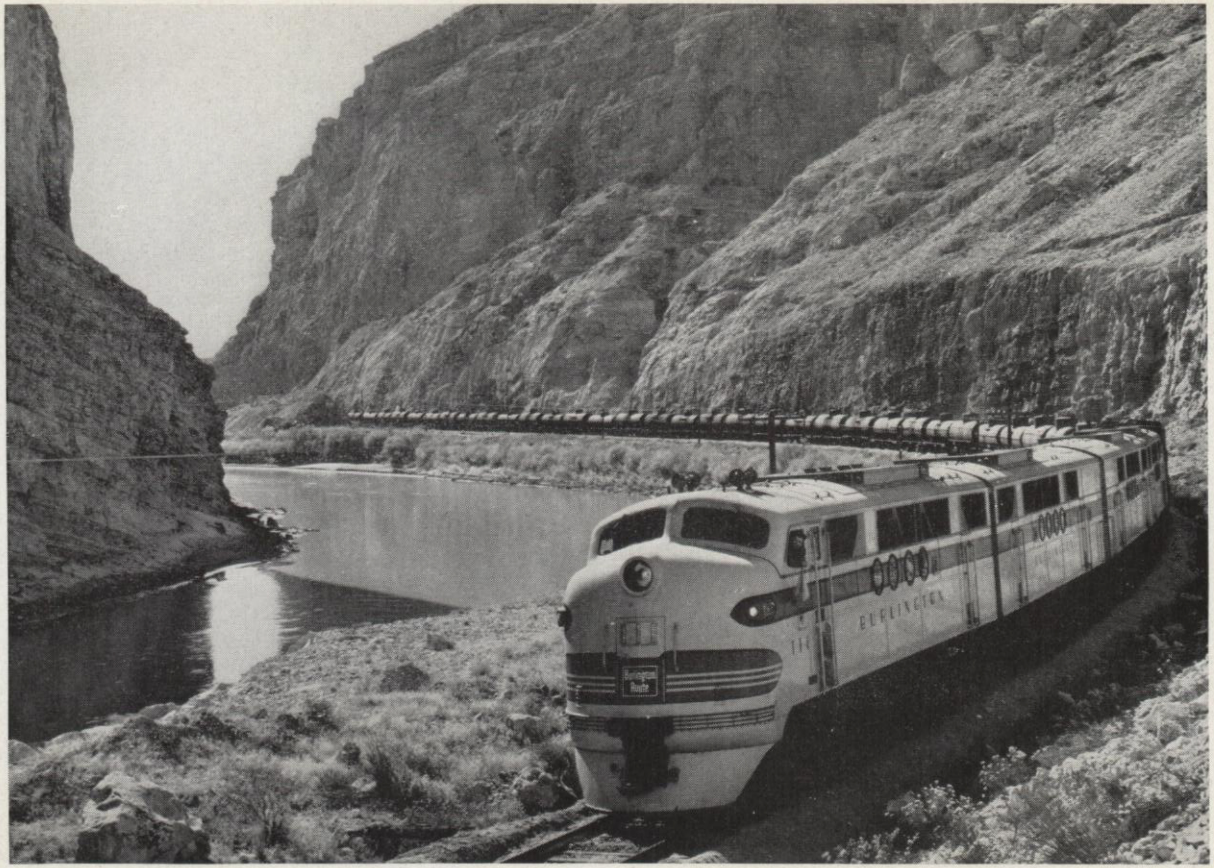
Percent of Ry. Oper. Revenue	1944	RAILWAY OPERATING REVENUES	1943	Percent of Ry. Oper. Revenue
74.99	$180,453,651.65	Freight	$166,123,158.97	76.22
16.68	40,141,385.47	Passenger	32,923,899.97	15.11
2.38	5,728,868.74	Mail	5,242,312.21	2.41
2.20	5,296,047.89	Express	4,375,446.76	2.01
1.35	3,252,860.94	All other transportation	3,937,727.34	1.81
2.05	4,933,218.08	Incidental	4,597,639.82	2.11
.35	831,367.25	Joint facility	752,297.72	.33
100.00	240,637,400.02	Total railway operating revenues	217,952,482.79	100.00
		RAILWAY OPERATING EXPENSES		
16.70	40,175,260.33	Maintenance of way and structures	29,835,735.51	13.69
14.04	33,790,767.59	Maintenance of equipment	28,195,666.16	12.94
1.43	3,450,556.20	Traffic	3,300,437.51	1.52
25.62	61,653,939.85	Transportation	55,805,742.86	25.60
1.25	2,998,769.02	Miscellaneous operations	2,800,034.33	1.28
1.57	3,785,010.43	General	3,621,719.97	1.66
60.61	145,854,303.42	Total railway operating expenses	123,559,336.34	56.69
39.39	94,783,096.60	Net revenue from railway operations	94,393,146.45	43.31
....	57,190,636.77	Railway tax accruals	55,573,643.74	....
....	37,592,459.83	Railway operating income	38,819,502.71	....
....	Dr. 2,373,365.79	Hire of equipment—Net	Dr. 1,172,357.24	....
....	Dr. 3,144,271.10	Joint facility rents—Net	Dr. 1,884,658.04	....
....	32,074,822.94	Net railway operating income	35,762,487.43	....
		OTHER INCOME		
....	605,366.85	Miscellaneous rent income	769,270.76	....
....	859,335.62	Dividends and miscellaneous interest	742,432.96	....
....	49,407.32	Miscellaneous income	26,691.29	....
....	1,514,109.79	Total other income	1,538,395.01	....
....	33,588,932.73	Total income	37,300,882.44	....
		MISCELLANEOUS DEDUCTIONS FROM INCOME		
....	83,651.09	Miscellaneous rents	77,928.92	....
....	13,544.94	Separately operated properties—Loss	8,960.76	....
....	104,238.46	Miscellaneous income charges	13,986.65	....
....	201,434.49	Total miscellaneous deductions	100,876.33	....
....	33,387,498.24	Income available for fixed charges	37,200,006.11	....
		FIXED CHARGES		
....	92,269.85	Rent for leased roads and equipment	95,867.60	....
....	8,468,657.90	Interest on funded debt	8,708,549.76	....
....	28,690.54	Interest on unfunded debt	15,161.50	....
....	150,758.23	Amortization of discount on funded debt	149,163.27	....
....	8,740,376.52	Total fixed charges	8,968,742.13	....
....	24,647,121.72	Income after fixed charges	28,231,263.98	....
		DISPOSITION OF NET INCOME		
....	5,125,161.00	Dividend appropriations of income	5,125,161.00	....
....	$ 19,521,960.72	Balance of income transferred to earned surplus	$ 23,106,102.98	....

Excess profits taxes accrued in 1944, $37,193,159.00; 1943, $28,570,185.00.

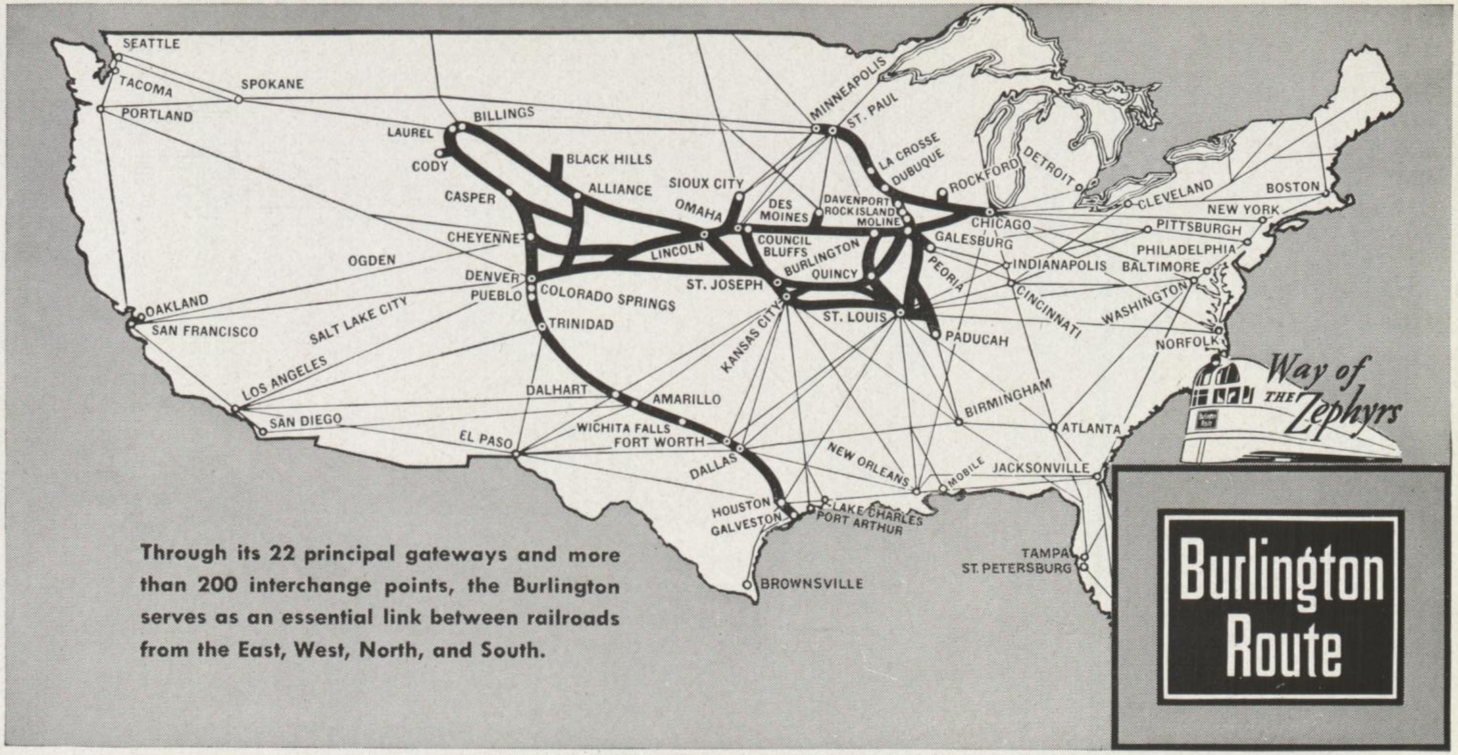


THE NEW LINCOLN HUMP YARD

Seven tank cars in motion being handled by mechanical retarders


BURLINGTON
Burlington Route

A Burlington Wartime Oil Train in Sheep Canyon


SEATTLE
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CODY
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CHEYENNE
OGDEN
DENVER
PUEBLO
COLORADO SPRINGS
TRINIDAD
OAKLAND
SAN FRANCISCO
SALT LAKE CITY
LOS ANGELES
SAN DIEGO
EL PASO
DALHART
AMARILLO
WICHITA FALLS
FORT WORTH
DALLAS
HOUSTON
GALVESTON
BROWNSVILLE
SIOUX CITY
OMAHA
LINCOLN
DES MOINES
COUNCIL BLUFFS
ST. JOSEPH
KANSAS CITY
MINNEAPOLIS
ST. PAUL
LA CROSSE
DUBUQUE
DAVENPORT
ROCK ISLAND
MOLINE
BURLINGTON
QUINCY
ST. LOUIS
ROCKFORD
CHICAGO
GALESBURG
PEORIA
PADUCAH
DETROIT
CLEVELAND
BOSTON
NEW YORK
PITTSBURGH
PHILADELPHIA
BALTIMORE
WASHINGTON
NORFOLK
INDIANAPOLIS
CINCINNATI
BIRMINGHAM
ATLANTA
JACKSONVILLE
NEW ORLEANS
MOBILE
LAKE CHARLES
PORT ARTHUR
TAMPA
ST. PETERSBURG
Way of THE Zephyrs
Burlington Route

Through its 22 principal gateways and more than 200 interchange points, the Burlington serves as an essential link between railroads from the East, West, North, and South.

Map showing Burlington Lines and Principal Connections

STATISTICS OF OPERATIONS

ITEMS	1944	1943
Average mileage of road operated	8,989.35	9,029.56
Actual miles road operated, end of year	8,987.18	9,023.91
TRAIN-MILES		
Freight	17,716,198	17,916,305
Passenger	14,839,500	14,370,760
Total transportation service	32,555,698	32,287,065
Work service	384,464	322,045
LOCOMOTIVE-MILES		
Freight	19,235,518	19,527,785
*Passenger	12,946,140	12,429,929
Train and yard switching	8,195,042	8,175,380
Total transportation service	40,376,700	40,133,094
Work service	905,468	769,653
CAR-MILES		
Loaded freight cars	665,809,761	627,480,017†
Empty freight cars	331,595,715	330,913,117
Sum of loaded and empty	997,405,476	958,393,134†
Caboose	18,093,122	17,976,649
Total freight cars	1,015,498,598	976,369,783†
Coach and combination passenger cars	39,776,116	37,094,254
Sleeping and parlor	34,893,748	32,402,154
Club, lounge, dining and observation	8,601,339	8,711,511
Other	40,696,542	37,948,090
Total passenger cars	123,967,745	116,156,009
Total transportation service	1,139,466,343	1,092,525,792†
Work service	2,822,890	2,107,813
FREIGHT SERVICE		
Tons—revenue freight	57,091,760	55,896,010
Tons—revenue and non-revenue freight	64,063,576	62,519,775
Ton-miles—revenue freight	19,751,865,060	18,960,387,490
Ton-miles—revenue and non-revenue freight	21,630,864,200	20,760,193,000
PASSENGER SERVICE		
Passengers carried—revenue	15,727,775	14,372,456
Passenger miles—revenue	2,220,707,327	1,822,197,189

*Excludes mileage of combination motor passenger cars: †Restated

1944—2,230,124
1943—2,250,499

STATISTICS OF OPERATIONS—Continued

ITEMS	1944	1943
AVERAGES PER MILE OF ROAD		
Freight-train miles	2,015	2,028
Passenger-train miles	2,131	2,064
Transportation service train-miles	3,622	3,576
Transportation service locomotive-miles	4,492	4,445
Freight service car-miles	115,497	110,541†
Passenger service car-miles	17,801	16,680
Freight revenue	$20,523.75	$18,807.87
Passenger service train revenue	$ 7,470.97	$ 6,313.57
Operating revenues	$26,769.17	$24,137.66
" expenses	$16,225.23	$13,683.87
Net operating revenue	$10,543.94	$10,453.79
Net railway operating income	$ 3,568.09	$ 3,960.60
Ton-miles—revenue freight	2,246,463	2,146,627
" " —all freight	2,460,169	2,350,395
Passenger-miles—revenue	318,872	261,663
AVERAGES PER TRAIN-MILE		
Loaded freight car-miles	37.58	35.02†
Empty freight car-miles	18.72	18.47
Ton-miles—revenue freight	1,114.90	1,058.28
" " —all freight	1,220.97	1,158.73
Passenger train car-miles	8.35	8.08
Revenue passenger-miles	149.65	126.80
Freight revenue	$ 10.19	$ 9.27
Passenger service train revenue	$ 3.51	$ 3.06
Operating revenues	$ 7.39	$ 6.75
Operating expenses	$ 4.48	$ 3.83
Net operating revenue	$ 2.91	$ 2.92
AVERAGES PER LOADED FREIGHT CAR-MILE		
Ton-miles—revenue freight	29.67	30.21†
" " —all freight	32.49	33.09†
Freight revenue	$ .27103	$ .26475†
AVERAGES PER CAR-MILE PASSENGER		
Passenger-miles—revenue	30.37	26.80
Passenger revenue	$ .54899	$ .48420
MISCELLANEOUS AVERAGES		
Miles hauled—revenue freight	345.97	339.21
" " —non-revenue freight	269.51	271.72
" " —all freight	337.65	332.06
" carried—revenue passengers	141.20	126.78
Revenue per ton of freight	$ 3.16076	$ 2.97200
" " ton-mile of freight	$ .00914	$ .00876
" " passenger	$ 2.55226	$ 2.29076
" " passenger-mile	$ .01808	$ .01807
Operating ratio	60.61	56.69

†Restated

INVESTMENT IN ROAD AND EQUIPMENT, YEAR 1944

Account		Additions and Betterments
Engineering	$	94,687.74
Land for transportation purposes	Cr.	388,119.00
Other right of way expenditures		3,595.28
Grading		573,104.51
Tunnels and subways		53,080.84
Bridges, trestles and culverts		471,331.58
Ties		73,109.36
Rails		440,233.69
Other track material		825,556.56
Ballast		262,268.56
Track laying and surfacing		295,308.48
Fences, snow sheds and signs	Cr.	9,086.34
Crossings and signs	Cr.	41,100.84
Station and office buildings		326,094.72
Roadway buildings		31,514.34
Water stations		167,075.42
Fuel stations		255,679.74
Shops and engine houses		716,682.22
Storage warehouses	Cr.	62,102.45
Wharves and docks	Cr.	2,602.00
Telegraph and telephone lines		55,772.32
Signals and interlockers		135,978.14
Power plants	Cr.	934.35
Power transmission systems		27,310.38
Miscellaneous structures	Cr.	26,040.70
Roadway machines		211,128.79
Roadway small tools	Cr.	722.84
Public improvements—Construction		111,017.40
Shop machinery		328,793.01
Power plant machinery	Cr.	7,434.35
Total expenditures for road		4,921,180.21
Steam locomotives		26,631.29
Other locomotives		10,469,972.96
Freight-train cars		2,846,550.97
Passenger-train cars	Cr.	79,332.74
Work equipment		632,734.21
Miscellaneous equipment		59,012.17
Total expenditures for equipment		13,955,568.86
Interest during construction	Cr.	18,681.00
Grand total		$18,858,068.07

"Cr."—Credits due to retirements.

EQUIPMENT IN SERVICE

DESCRIPTION	Number on Dec. 31, 1943	Number Added During Year	Number Retired During Year	Number on Dec. 31, 1944	Average tractive power all locomotives and average capacity all freight cars
Locomotives—Steam	951		3	948	
Other	79	43		122	
Total locomotives	1,030	43	3	1,070	54,284 Lbs.
Freight-train cars—Box cars	23,898	748	1,317	23,329	
Flat cars	1,668		118	1,550	
Stock cars	3,457	95	209	3,343	
Gondola and Hopper	14,617	1,002	479	15,140	
Caboose cars	624	6	11	619	
All classes of freight-train cars	44,264	1,851	2,134	43,981	45.87 Tons
Passenger train cars—Coaches	345		5	340	
Combination coach cars	56		4	52	
Parlor cars	2			2	
Dining cars	31			31	
Club, lounge and observation cars	4			4	
Postal cars	31		1	30	
Baggage, express and other nonpassenger cars	280	100	2	378	
Total	749	100	12	837	
Passenger rail motor cars:					
Combination coach cars	16			16	
Other passenger-train rail motor cars	15			15	
Total	31			31	
Number of articulated Zephyr trains	6			6	
Cars in articulated trains:‡					
Coaches	10			10	
Combination coach cars	12			12	
Parlor and sleeping cars	4			4	
Other passenger-train cars	10			10	
Total	36			36	
All classes of passenger-train cars	816	100	12	904	
Company service equipment:					
Officers' and business cars	15	1		16	
Ballast cars	1,305	12	62	1,255	
Derrick cars	4			4	
Steam shovels	1			1	
Wrecking cars	18	2	1	19	
Other company service cars	2,867	774	377	3,264	
All classes of company service cars	4,210	789	440	4,559	
All classes of cars in service	49,290	2,740	2,586	49,444	

OWNED EQUIPMENT LEASED

DESCRIPTION	Number Under Lease on Dec. 31, 1943	Number Leased During Year	Number Withdrawn from Lease During Year	Number Under Lease on Dec. 31, 1944
Freight-refrigerator cars*	1,759	184	9	1,934
Freight-stock cars§	199		1	198
Passenger-refrigerator cars*	30			30
Zephyr train-cars†	4			4
Denver Zephyr-sleeping cars#	10			10

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‡10 cars not articulated.

*Leased to Burlington Refrigerator Express Company.

†Leased to Burlington-Rock Island Railroad Company.

§Leased to Fort Worth and Denver City Railway Company.

#Leased to Pullman Company.

GENERAL BALANCE SHEET

December 31, 1944

ASSETS

INVESTMENTS:		
Road and equipment property		$640,506,150.81
Improvements on leased property		116,148.04
Donations and grants	Cr.	2,507,019.82
Deposits in lieu of mortgaged property sold		109,860.91
Miscellaneous physical property		6,910,466.90
Investments in affiliated companies:		
Stocks	$27,419,201.47	
Bonds	4,347,632.88	
All other	6,608,531.59	38,375,365.94
Other investments:		
Stocks	3,694,995.27	
Bonds	4,365,500.00	
All other	77,340.42	8,137,835.69
Total investments (capital assets)		691,648,808.47
CURRENT ASSETS:		
Cash		16,077,091.57
Temporary cash investments		26,144,490.76
Special deposits		21,274,320.74
Loans and bills receivable		1,183.22
Net balance receivable from agents and conductors		2,514,643.59
Miscellaneous accounts receivable		20,098,255.64
Material and supplies		17,978,487.88
Interest and dividends receivable		366,397.97
Rents receivable		85,286.32
Other current assets		624,112.68
Total current assets		105,164,270.37
DEFERRED ASSETS:		
Working fund advances		91,197.80
Other deferred assets		4,407,722.89
Total deferred assets		4,498,920.69
UNADJUSTED DEBITS:		
Rents and insurance premiums paid in advance		176,686.76
Discount on funded debt		2,630,166.36
Other unadjusted debits		11,415,570.65
Total unadjusted debits		14,222,423.77
Grand total		$815,534,423.30

GENERAL BALANCE SHEET

December 31, 1944

LIABILITIES

CAPITAL STOCK:		
Common stock		$170,839,100.00
LONG-TERM DEBT:		
Funded debt unmatured (See Page 26):		
Total book liability	$364,195,100.00	
Less held by or for the company	178,290,000.00	
		185,905,100.00
Equipment obligations (See Pages 26 and 27)		21,915,680.47
Amounts payable to affiliated companies		123,275.41
Total long-term debt outstanding		207,944,055.88
CURRENT LIABILITIES:		
Traffic and car service balances—Cr.		1,767,057.30
Audited accounts and wages payable		10,604,333.02
Miscellaneous accounts payable		386,008.40
Interest matured unpaid		281,419.02
Unmatured interest accrued		2,265,943.36
Unmatured rents accrued		153,736.05
Accrued tax liability		57,462,457.02
Other current liabilities		10,679,647.53
Total current liabilities		83,600,601.70
DEFERRED LIABILITIES:		
Other deferred liabilities		668,291.62
UNADJUSTED CREDITS:		
Premium on funded debt		9,192.68
Insurance and casualty reserves		1,392,996.20
Accrued amortization of defense projects—Road		731,085.91
Equipment		9,324,760.34
Accrued depreciation—Road and equipment		100,035,985.95
Other unadjusted credits		4,040,848.70
Accrued depreciation—Leased property		10,494.41
Total unadjusted credits		115,545,364.19
SURPLUS:		
Unearned surplus		249,858.73
Earned surplus—appropriated		48,025,460.10
Earned surplus—unappropriated		188,661,691.08
Total surplus		236,937,009.91
Grand total		$815,534,423.30

CAPITAL LIABILITIES OF THE CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Designation of Obligation	Term		Total par value authorized	Total nominally or actually outstanding	Held by or for Company	Actually outstanding in hands of public	Dividends or Interest		
	Date of issue	Date of maturity					Rate	When payable	Dividends declared and interest accrued during year
CAPITAL STOCK	....	....	$170,839,100	$170,839,100	....	*$170,839,100	3%	Dec. 23	$5,125,161.00
FUNDED DEBT UNMATURED									
General Mortgage	Mar. 2, 1908	Mar. 1, 1958	$165,314,000	$165,314,000	‡$100,067,000	$65,247,000	4	M. & S.	$2,609,880.00
First and Refunding Mortgage:									
Series A†	Aug. 1, 1921	Feb. 1, 1971	40,000,000	9,458,100	....	9,458,100	5	F. & A.	2,000,000.00
Series B	Feb. 1, 1927	Feb. 1, 1977	30,000,000	30,000,000	200,000	29,800,000	4½	F. & A.	1,341,000.00
Series 1970†	Aug. 1, 1944	Aug. 1, 1970	78,023,000	78,023,000	§ 78,023,000	....	4½	F. & A.	....
Series 1974†	Aug. 1, 1944	Aug. 1, 1974	40,000,000	40,000,000	....	40,000,000	3¾	F. & A.	129,166.67
Collateral Trust Bonds†	Dec. 1, 1944	Dec. 1, 1969	30,000,000	30,000,000	....	30,000,000	3½	J. & D.	87,500.00
Serial Collateral Trust Notes	Dec. 1, 1936	$700,000 Dec. 1 each year to 1946	7,000,000	1,400,000	....	1,400,000	2¼	J. & D.	45,937.50
Serial Collateral Trust Notes†	Dec. 1, 1944	$500,000 each quarter to 1949	10,000,000	10,000,000	....	10,000,000	1½	Quarterly M.J.S.D.	12,500.00
Total Funded Debt Unmatured	....	....	$400,337,000	$364,195,100	$178,290,000	$185,905,100			$6,225,984.17
EQUIPMENT TRUST OBLIGATIONS									
Equipment Trust of 1936	May 1, 1936	$395,000 May 1 each year to 1946	$ 3,950,000	$ 790,000	....	$ 790,000	2½	M. & N.	$ 23,041.66
Equipment Trust of 1937	Oct. 1, 1937	$365,000 Oct. 1 each year to 1947	3,650,000	1,095,000	....	1,095,000	2½	A. & O.	34,218.75
Equipment Trust of 1941	Aug. 1, 1941	$499,000 Aug. 1 each year to 1948	9,387,000	1,996,000	....	1,996,000	1½	F. & A.	34,297.50
Equipment Trust of 1944†	Nov. 1, 1944	$ 38,000 each quarter to Nov. 1954	1,520,000	1,520,000	....	1,520,000	1⅞	Quarterly F.M.A.N.	4,037.50

CONDITIONAL SALE CONTRACTS									
National Bank of Detroit.....	Apr.29, 1940	Monthly to Nov. 1948	$ 592,806	$ 289,400	....	$ 289,400	1¾	Monthly	$ 5,633.87
Harris Trust and Savings Bank of Chicago...........	Aug.28, 1940	Quarterly to Sept. 1950	2,444,117	1,476,955	....	1,476,955	2¼	Quarterly M.J.S.D.	36,367.02
National Bank of Detroit.....	Dec.19, 1940	Monthly to Feb. 1951	2,277,453	1,447,845	....	1,447,845	1⅝	Monthly	25,181.43
Manufacturers Trust Co., New York, N. Y...........	Feb.28, 1941	Monthly to May 1951	815,098	538,049	....	538,049	2	Monthly 19th	11,612.87
The Northern Trust Co., Chicago and S. A. Weaver...	Mar. 8, 1941	Monthly to Dec. 1949	5,142,510	3,201,712	....	3,201,712	1¾	Monthly	61,231.03
First National Bank of Chicago	May 1, 1941	Quarterly to May 1948	5,404,948	2,450,000	....	2,450,000	2	Quarterly F.M.A.N.	55,393.80
First National Bank of Chicago†	Jan.15, 1944	Quarterly to Oct. 1954	7,110,720	7,110,720	....	7,110,720	2	Quarterly J.A.J.O.	81,775.20
Total Equipment Obligations..			$ 42,294,652	$ 21,915,681	....	$ 21,915,681			$ 372,790.63
Total Funded Debt and Equipment Obligations.....			$442,631,652	$386,110,781	$178,290,000	$207,820,781			$6,598,774.80ϕ

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*Includes $400 scrip on which no dividends are paid.

‡Includes $96,317,000 pledged under First and Refunding Mortgage, $1,750,000 as collateral security for Serial Collateral Trust Notes (1936) and $2,000,000 pledged as collateral to secure performance by The Colorado and Southern Railway Company of obligations under agreement with Reconstruction Finance Corporation in connection with extension of maturity of its Refunding and Extension Bonds, May 1, 1935 to January 1, 1955.

§Includes $55,000,000 pledged as collateral security for Collateral Trust Bonds and $15,000,000 for Collateral Trust Notes. $24,873,000 additional bonds have been authorized to be issued and held in the Treasury, of which $8,023,000 have been issued to December 31, 1944.

†See pages 34 and 35.

ϕExcludes $1,869,883 interest on Illinois Division Bonds called for redemption January 1, 1945.

Net decrease in principal of bonds, collateral trust notes and equipment obligations during the year amounted to $12,074,765 (see page 34).

DESCRIPTION OF MORTGAGES

(For detail see page 26)

Illinois Division Mortgage

Provision made for redemption of all outstanding bonds as of January 1, 1945, and release of the mortgage. (See page 34)

General Mortgage

Upon release of the Illinois Division Mortgage, the General Mortgage will be a first lien on 7,876.01 miles of this Company's main and branch lines, including terminals, property and equipment appurtenant thereto, situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana.

This mortgage is also secured by deposit with the trustee of 305,262 shares of the capital stock of The Colorado and Southern Railway Company.

No provision in mortgage for redemption of bonds.

No Change in Amount Outstanding During Year

First and Refunding Mortgage

This mortgage is a lien on 8,355.24 miles of this Company's main and branch lines situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana, and on all terminals, property and equipment appurtenant thereto; subject to the prior lien of the General Mortgage described above on 7,876.01 miles.

As further security for bonds issued under this mortgage, there are pledged $96,317,000 General Mortgage Bonds; also all right and title of this Company to the owned stock, of bridge, depot and terminal companies, and of the Davenport, Rock Island and North Western Railway Company; and also owned stock of The Colorado and Southern Railway Company, subject to prior lien of the General Mortgage on 305,262 shares.

Bonds issued under this mortgage may be redeemed by the Company on sixty days' notice, on any interest date, as follows:

Series B redeemable as a whole at 105 and accrued interest, February 1, 1952, to August 1, 1966; at 103 and accrued interest, February 1, 1967, to August 1, 1976.

Series of 1974, for purposes other than the sinking fund, may be redeemed in whole or in part at 103¾ and accrued interest if called during 12 months' period beginning August 1, 1944. Thereafter premium reduces periodically to August 1, 1973, after which date callable at par; in each instance with accrued interest.

Company covenanted to pay to Trustee, on or before May 1 in each year, beginning May 1, 1945, and to and including May 1, 1973, as a sinking fund for redemption of bonds, a sum of money equal to 10% of amount of dividends paid on its capital stock in the preceding calendar year.

When called for purposes of the sinking fund, redemption price is 101 during the 12 months' period beginning August 1, 1944, thereafter premium is reduced periodically to August 1, 1973, after which redemption price is par; in each case with accrued interest.

Series of 1970 Bonds are callable in whole or in part on any interest date at par and accrued interest.

MILEAGE

Owned	Miles of Road	Second Track	Third Track	Fourth Track	Yard Tracks and Sidings*	Total
Colorado	395.43	.47			168.79	564.69
Illinois	1,615.42	388.39	40.89	5.43	1,040.38	3,090.51
Iowa	1,154.82	249.62			293.93	1,698.37
Kansas	221.83				23.35	245.18
Minnesota	23.09	2.71			37.04	62.84
Missouri	1,168.20	112.64			393.85	1,674.69
Montana	134.36				48.00	182.36
Nebraska	2,678.81	29.42			780.53	3,488.76
South Dakota	168.16				57.44	225.60
Wisconsin	220.25	212.85			62.27	495.37
Wyoming	677.78				218.78	896.56
Total	8,458.15	996.10	40.89	5.43	3,124.36	12,624.93
Operated under lease or contract	529.03	125.54	.76	.76	419.74	1,075.83
Grand Total	8,987.18	1,121.64	41.65	6.19	3,544.10	13,700.76

*Includes yard tracks and sidings owned but not operated as follows: Illinois 1.11 miles, Iowa .71 miles, total 1.82.

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31

	1944	1943	Increase	Decrease
RAILWAY OPERATING REVENUES—				
Transportation:				
Freight	$180,453,651.65	$166,123,158.97	$ 14,330,492.68	
Passenger	40,141,385.47	32,923,899.97	7,217,485.50	
Baggage	62,669.69	48,652.51	14,017.18	
Parlor and chair car	153,417.30	129,734.29	23,683.01	
Mail	5,728,868.74	5,242,312.21	486,556.53	
Express	5,296,047.89	4,375,446.76	920,601.13	
Other passenger-train	429,165.77	1,017,458.93		$ 588,293.16
Milk	218,254.36	229,567.60		11,313.24
Switching	2,389,353.82	2,512,314.01		122,960.19
Total	$234,872,814.69	$212,602,545.25	$ 22,270,269.44	
Incidental:				
Dining and buffet	$ 2,394,017.63	$ 2,250,212.38	$ 143,805.25	
Hotel and restaurant	186,646.63	123,926.44	62,720.19	
Station and train privileges	75,187.19	48,446.23	26,740.96	
Parcel room	9,930.09	5,562.61	4,367.48	
Storage—Freight	12,293.47	13,399.06		$ 1,105.59
Storage—Baggage	12,048.22	9,097.38	2,950.84	
Demurrage	577,698.17	378,917.00	198,781.17	
Telegraph and telephone	216,736.94	203,677.53	13,059.41	
Stockyard	346,157.44	484,457.63		138,300.19
Power	93,707.47	100,538.37		6,830.90
Rents of buildings and other property	261,138.01	236,926.45	24,211.56	
Miscellaneous	747,656.82	742,478.74	5,178.08	
Total	$ 4,933,218.08	$ 4,597,639.82	$ 335,578.26	
Joint facility—Cr.	$ 837,815.07	$ 760,553.66	$ 77,261.41	
Joint facility—Dr.	Dr. 6,447.82	Dr. 8,255.94	1,808.12	
Total	$ 831,367.25	$ 752,297.72	$ 79,069.53	
Total railway operating revenues	$240,637,400.02	$217,952,482.79	$ 22,684,917.23	

RAILWAY OPERATING EXPENSES—				
Maintenance of way and structures	$ 40,175,260.33	$ 29,835,735.51	$ 10,339,524.82	
Maintenance of equipment	33,790,767.59	28,195,666.16	5,595,101.43	
Traffic	3,450,556.20	3,300,437.51	150,118.69	
Transportation	61,653,939.85	55,805,742.86	5,848,196.99	
Miscellaneous operations	2,998,769.02	2,800,034.33	198,734.69	
General	3,785,010.43	3,621,719.97	163,290.46	
Total railway operating expenses	$145,854,303.42	$123,559,336.34	$ 22,294,967.08	
Operating Ratio	60.61	56.69	3.92	
Net revenue from railway operations	$ 94,783,096.60	$ 94,393,146.45	$ 389,950.15	
Railway tax accruals	$ 57,190,636.77	$ 55,573,643.74	$ 1,616,993.03	
Railway operating income	$ 37,592,459.83	$ 38,819,502.71		$ 1,227,042.88
RENT INCOME				
Equipment rents	$ 763,704.72	$ 417,267.74	$ 346,436.98	
Joint facility rent income	678,371.32	618,221.20	60,150.12	
Total rent income	$ 1,442,076.04	$ 1,035,488.94	$ 406,587.10	
RENTS PAYABLE				
Rent for equipment	$ 3,137,070.51	$ 1,589,624.98	$ 1,547,445.53	
Joint facility rents	3,822,642.42	2,502,879.24	1,319,763.18	
Total rents payable	$ 6,959,712.93	$ 4,092,504.22	$ 2,867,208.71	
Net rents	Dr. $5,517,636.89	Dr. $3,057,015.28		$ 2,460,621.61
Net railway operating income	$ 32,074,822.94	$ 35,762,487.43		$ 3,687,664.49

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31—Continued

	1944	1943	Increase	Decrease
Other Income				
Income from lease of road and equipment	$ 193,026.80	$ 166,589.57	$ 26,437.23	
Miscellaneous rent income	501,885.53	463,919.58	37,965.95	
Miscellaneous nonoperating physical property	Dr. 89,545.48	138,761.61		$ 228,307.09
Dividend income	237,826.53	264,522.80		26,696.27
Income from funded securities	322,852.65	328,774.34		5,921.69
Income from unfunded securities and accounts	298,656.44	149,135.82	149,520.62	
Release of premiums on funded debt	7,705.05	9,935.52		2,230.47
Miscellaneous income	41,702.27	16,755.77	24,946.50	
Total other income	$ 1,514,109.79	$ 1,538,395.01		$ 24,285.22
Total income	$ 33,588,932.73	$ 37,300,882.44		$ 3,711,949.71
Miscellaneous Deductions from Income				
Miscellaneous rents	$ 24,063.87	$ 23,405.69	$ 658.18	
Miscellaneous tax accruals	59,587.22	54,523.23	5,063.99	
Separately operated properties—Loss	13,544.94	8,960.76	4,584.18	
Miscellaneous income charges	104,238.46	13,986.65	90,251.81	
Total miscellaneous deductions	$ 201,434.49	$ 100,876.33	$ 100,558.16	
Income available for fixed charges	$ 33,387,498.24	$ 37,200,006.11		$ 3,812,507.87
Fixed Charges				
Rent for leased roads and equipment	$ 92,269.85	$ 95,867.60		$ 3,597.75
Interest on funded debt	8,468,657.90	8,708,549.76		239,891.86
Interest on unfunded debt	28,690.54	15,161.50	$ 13,529.04	
Amortization of discount on funded debt	150,758.23	149,163.27	1,594.96	
Total fixed charges	$ 8,740,376.52	$ 8,968,742.13		$ 228,365.61
Net income	$ 24,647,121.72	$ 28,231,263.98		$ 3,584,142.26
Dividend appropriations of income	$ 5,125,161.00	$ 5,125,161.00		
Balance of income transferred to earned surplus	$ 19,521,960.72	$ 23,106,102.98		$ 3,584,142.26

COMPARATIVE STATEMENT OF EARNED SURPLUS ACCOUNT FOR YEARS ENDED DECEMBER 31

	1944	1943	Increase	Decrease
Credits:				
Credit balance at beginning of year	$174,394,138.87	$151,787,847.67*	$ 22,606,291.20	....
Credit balance transferred from income	19,521,960.72	23,106,102.98	....	$ 3,584,142.26
Miscellaneous credits	122,485.64	185,459.28	....	62,973.64
Total	$194,038,585.23	$175,079,409.93	$ 18,959,175.30	....
Debits:				
Miscellaneous debits	$ 5,376,894.15	$ 685,271.06	$ 4,691,623.09	....
Credit balance carried to balance sheet	188,661,691.08	174,394,138.87	14,267,552.21	....
Total	$194,038,585.23	$175,079,409.93	$ 18,959,175.30	....

*Restated as of January 1, 1943 to conform with changes in I.C.C. classification.

CHANGES IN CAPITAL LIABILITIES IN 1944

	Increase	Decrease
Bonds purchased or redeemed		
Illinois Division 3½%		$ 33,111,000
Illinois Division 4%		23,662,000
First and Refunding 5% Series A		40,000,000†
Principal of notes retired		
Collateral Trust		700,000
Equipment Trust of 1936		395,000
Equipment Trust of 1937		365,000
Equipment Trust of 1941		498,000
Equipment Conditional Sale Contracts		1,974,485
Securities issued		
First and Refunding Bonds (1974) 3¾%	$ 40,000,000	
Collateral Trust Bonds (1969) 3½%	30,000,000	
Collateral Trust Notes (1945-1949) 1½%	10,000,000	
Equipment Trust of 1944	1,520,000	
Conditional Sale Contract of 1944	7,110,720	
	$ 88,630,720	$100,705,485
Net Decrease		$ 12,074,765

†Includes $9,458,100 outstanding First and Refunding 5% Series A Bonds called for redemption February 1, 1945, for which cash was deposited with Trustee of Mortgage, November 30, 1944.

Illinois Division Mortgage 3½% and 4% Bonds

During the year, the Company purchased and retired $16,123,000 Illinois Division Bonds and called for redemption, on January 1, 1945, balance of outstanding bonds, amounting to $40,650,000, at 105 and accrued interest; call premium amounted to $2,032,500.

To provide for retirement of these bonds, the Company sold $10,000,000 1½% Serial Collateral Trust Notes, and $30,000,000 Collateral Trust 3½% Bonds. Balance of funds provided from treasury cash. The Serial Notes, dated December 1, 1944, were sold at 99.499, repayable $2,000,000 annually (in quarterly payments of $500,000 each) over a five-year period, March 1, 1945, to and including December 1, 1949. The Collateral Trust Bonds, maturing December 1, 1969, were sold at par and accrued interest. Collateral Trust Indenture provides for a sinking fund of $1,000,000 a year in each year April 1, 1950 to 1968, inclusive, for retirement of bonds. The Serial Collateral Trust Notes are secured by $15,000,000 principal amount of the new issue of First and Refunding Mortgage 4½% Bonds, Series of 1970 and the Collateral Trust Bonds are secured by $55,000,000 bonds of the same Series. $24,873,000 of the Series of 1970 Bonds have been, or are to be, issued and retained in the Company's treasury subject to further order of the Interstate Commerce Commission.

First and Refunding Mortgage 5% Series A Bonds

December 1, 1944, the Company called for redemption, on February 1, 1945, its outstanding $40,000,000 First and Refunding 5% Bonds, Series A, due February 1, 1971, at 107½. Call premium of 7½% amounting to $3,000,000 and interest to February 1, 1945, required payment of approximately $44,000,000. To finance retirement of these bonds, $40,000,000 of First and Refunding 3¾% Bonds, Series of 1974, were sold at 99.137 and the proceeds, together with treasury cash, applied to retirement of the Series A bonds. The new bonds are dated August 1, 1944, and mature August 1, 1974. Supplemental Indenture for the 1974 Series provides for annual sinking fund payment equal to 10% of dividends paid on the Company's capital stock during the preceding calendar year.

To December 31, 1944, $30,541,900 of the Series A bonds had been redeemed and $9,458,100 cash had been deposited with the Trustee of the Mortgage to provide for redemption of the outstanding balance.

Equipment Trust of 1944

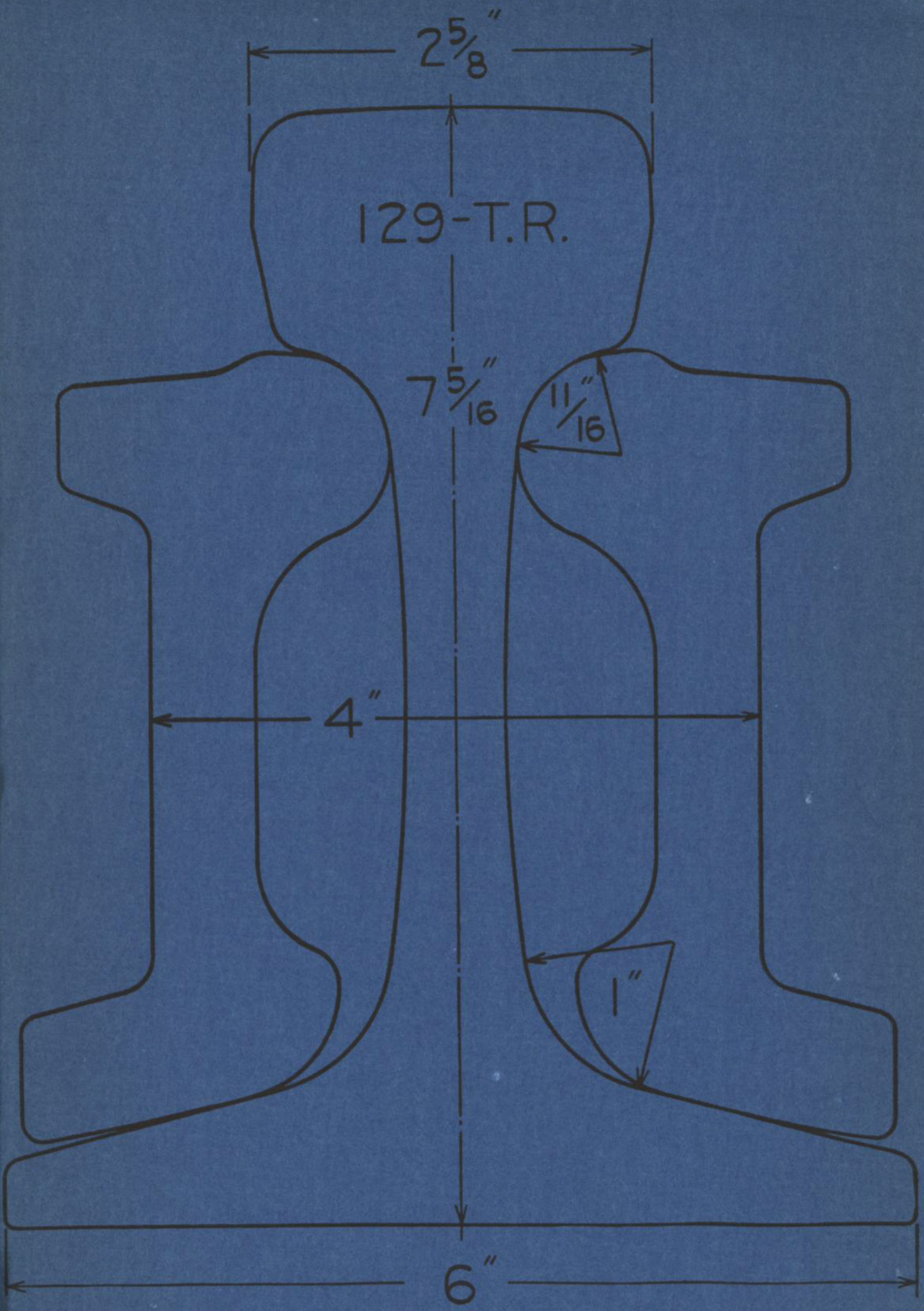
This covered purchase of 22 Diesel-electric, 1000 horsepower, switching locomotives.

Equipment Trust dated November 1, 1944, maturing in forty quarter-yearly installments of $38,000 each, February 1, 1945, to and including November 1, 1954. Interest rate 1⅞%.

Conditional Sale Contract of 1944

This covered purchase of 16 Diesel-electric, 5400 horsepower, freight locomotives.

Contract, dated January 15, 1944. Principal payment in equal quarter-yearly amounts of $177,768, January 1, 1945, to and including October 1, 1954. Interest rate 2%.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